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3) Khatami warns of "new crisis if sanctions imposed on Iran" over nuclear issue

YOMIURI (Page 2) (Full)
August 28, 2006

In a press conference in Kyoto yesterday, visiting former Iranian President Khatami reiterated his country's determination to continue its nuclear development program, saying that the program is intended for peaceful purposes as guaranteed under the Nuclear Nonproliferation Treaty (NPT) and is not for military purposes. He

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then warned that if the United Nations Security Council imposes economic sanctions on Iran in the event of Iran not suspending its uranium enrichment program by the end of this month, "a new crisis will be brought into the Middle East, and the measure will be proved to be wrong."

Asked about the proposal by six countries, including the United States, China, and Russia, to construct light-water reactors in exchange for Iran's suspension of uranium enrichment, Khatami flatly replied: "We cannot entrust (our energy policy) to an empty promise."

4) Iran warns Japan: "China, Russia also eager to develop Azadegan oil field

YOMIURI (Page 2) (Full)
August 28, 2006

Taketo Kudo, Teheran

Regarding the Azadegan oil field in the southwestern part of Iran, for which Inpex Corp. of Japan has concession rights, the news agency operated by the Iranian Petroleum Ministry released the following statement by the president of the Oil Development Technology Corporation under the state-run Iran Oil Corporation:

"Should Iran be unable to launch development of the oil field with Japan by Sept. 15, we will launch efforts for joint development with domestic firms, China, or Russia."

5) Mitsutoyo also exported nine sets of precision machines to Iran; Business transaction since 1980s; Importers include military organization

TOKYO SHIMBUN (Top Play) (Excerpts)
August 26, 2006

The Public Safety Bureau of the Tokyo Metropolitan Police Department has investigated Mitsutoyo, a leading precision measuring instrument manufacturer based in Kawasaki City, over alleged illegal exports to Iran. As a result, it was found yesterday that the company has exported a total of nine precision machines to that nation since the 1980s. Some invoices carried the names of Iran's military organizations. The investigation has thus unveiled that the company has engaged in trade with Iran, a country suspected of nuclear weapons development, for more than 20 years. Among the five who were arrested, President Kazusaku Tezuka (67) and Managing Director Hideyo Chikugo (66) are reportedly denying the allegations, while three others, such as Vice Chairman Norio Takatsuji and three former employees, have totally admitted the charges.

According to the investigation, Mitsutoyo exported precision machines, including three-dimensional measuring instruments to Iran

- two in the 1980s, six in the 1990s and one in 2002. The exports of precision measuring instruments and related software in 1997 and 2002 are suspected of being unlicensed export cases, a violation of the Foreign Exchange and Foreign Trade Control Law.

Some business transactions between Mitsutoyo and Iran were carried out through an Iranian trading company located in Shibuya Ward, Tokyo, whose premise the Public Safety Bureau searched on the 25th. The police seized some invoices that carried the names of Iranian

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military organizations, such as the "Revolution Defense Force."

The Public Safety Bureau suspects that the trading company might have been a front company responsible for procuring goods for Iran's military organizations.

6) Government aims to apply pressure on North Korea through friendly countries over six-party talks, abduction issue

NIHON KEIZAI (Page 2) (Full)
August 28, 2006

In an effort to break the impasse in its stalled relations with North Korea, the government will ask countries that have established friendly ties with Pyongyang to increase mutual visits among their senior government officials and provide information held by their embassies in the North. By indirectly applying pressure on North Korea through this, the government aims to bring about the resumption of the six-party talks, as well as a settlement to the abduction issue.

According to the Foreign Ministry, 155 countries have diplomatic ties with North Korea, and 42 countries of them have set up their diplomatic missions in Pyongyang, including 20 that also host North Korea's missions.

Of the 42 countries, Prime Minister Junichiro Koizumi visited Sweden in May. In August, he went to Mongolia on the 10th and will tour Uzbekistan on the 29th. Foreign Minister Taro Aso also visited Bangladesh in July and asked its government to urge the North to suspend its missile launches.

In August, Defense Agency Director General Fukushima Nukaga visited Indonesia, and State Minister in charge of Science and Technology Iwao Matsuda and Land, Infrastructure and Transport Minister Kazuo Ktagawa visited Libya and Slovakia, respectively. Matsuda is the first Japanese cabinet minister to have visited Libya. He affirmed with leader Moamer Kadhafi that Japan and Libya would cooperate in dealing with North Korea.

From overseas, Japan received the foreign ministers of Poland and Egypt, the vice prime minister from Cambodia and others. In October, the Bulgarian vice prime minister will come to Japan.

The Foreign Ministry has picked countries to which cabinet minister will go based on the degree of their diplomatic relations with North Korea.

7) South Korea set to resume research activities near Takeshima in October

TOKYO SHIMBUN (Page 1) (Excerpts)
August 28, 2006

It was learned yesterday that the South Korean government plans to carry out research activities in waters near Japan again in mid-October. The area covered by the survey plan is expected to include the Japan-claimed exclusive economic zone (EEZ) around the Takeshima islets and its territorial waters, as Seoul did in July. The Takeshima islets (Dokdo in South Korea) are currently under South Korean control.

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The Japanese government has already gained information about the planned research activities. Tokyo and Seoul are coming closer to starting negotiations on a plan to introduce a prior notification system as part of efforts to avoid a dispute over maritime surveys in the water area. Given this, the government is concerned about the recent moves by South Korea. Upon listening to detailed explanations from Seoul at the Japan-South Korea EEZ demarcation talks slated for early September in Seoul, the government intends to ask the Seoul to exercise self-restraint.

Despite Japan's repeated protests, however, South Korea implemented research activities in July to study the concentration of slat contents in sea current in the Japan-claimed EEZ and its territorial waters.

It therefore is uncertain if Seoul will accept Japan's request. Should South Korea forcibly go through with the planned survey, Japan will consider the possibility of undertaking its own marine research activities in protest.

8) Prime Minister Koizumi to visit Central Asia today; Japanese still remembered in Uzbekistan; Hard-working detainees built infrastructure

SANKEI (Page 2) (Excerpts)
August 28, 2006

Prime Minister Junichiro Koizumi will visit Kazakhstan and Uzbekistan in Central Asia starting today. During the trip, Koizumi will hear the story of Japanese in Uzbekistan, which was once a part of the USSR. Uzbeks are still grateful for the assets Japanese detainees left after World War II.

Among the countries Koizumi will visit this time, the spotlight tends to be focused on Kazakhstan, as it is drawing close attention from the international community for its rich energy resources. However, there is a major reason that made Koizumi to decide to visit Uzbekistan.

Approximately 25,000 Japanese were sent to Uzbekistan from Siberia from 1945 through 1946 after the end of World War II. These people were housed in 13 camps and forced to labor. Nevertheless, Japanese detainees left a favorable image on the people of Uzbekistan. Pro-Japanese sentiment is strong in Central Asia, especially in Uzbekistan.

9) Antiterrorism law to be extended by another year

ASAHI (Page 4) (Abridged slightly)
August 26, 2006

The government decided on Aug. 25 to extend the Antiterrorism Special Measures Law, scheduled to expire in November. Coordination is underway to extend it for one year until November 2007. The government aims to get a bill to extend the law approved in the next special Diet session to be convened after the Sept. 20 LDP presidential election. The final decision on whether to extend the law will be made by the next prime minister. Chief Cabinet Secretary Shinzo Abe, who is eager to enhance the Japan-US alliance and holds a commanding lead in the LDP presidential race, has decided to extend the law before launching his administration.

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The law provides legal grounds for the Self-Defense Forces to extend rear-area support to the multinational forces in Afghanistan, such as US and British vessels. In the wake of 9/11, the law took effect in November 2001 as temporary legislation good for two years. It was extended for two years in 2003. The law, which was extended for only one year last year due to Koizumi's reluctance, is scheduled to expire on Nov. 1.

The government has decided to extend the law once again, concluding that the SDF's refueling mission in the Indian Ocean should be continued for the sake of the Japan-US alliance, now that the SDF's

mission in Iraq, Japan's major assistance for the US, ended in July.

10) YOMIURI (Page 2) (Abridged)
August 26, 2006

US Forces Japan (USFJ) will participate in a disaster drill to be conducted by the Tokyo metropolitan government on Sept. 1, Disaster Preparedness Day, officials said yesterday. A US naval ship will carry metropolitan government personnel as earthquake-affected commuters to Kanagawa Prefecture. In addition, US military helicopters will also deliver relief goods. USFJ cooperated in relief operations for those affected in the Hanshin Earthquake of the Osaka-Kobe area and the Chuetsu Earthquake of Niigata Prefecture. However, this is the first time for USFJ to send troops and naval vessels to participate in a local government's drill.

The disaster drill will be conducted in anticipation of a strong earthquake that hits Tokyo and its metropolitan environs. It will be conducted by 8 prefectural and municipal governments in the metropolitan area, including Tokyo, with Prime Minister Koizumi participating. USFJ will participate in the drill at the request of Tokyo Governor Shintaro Ishihara. "They have bases nearby, so it would be better to (ask them to) use their capabilities," Ishihara said.

The Tokyo metropolitan government presumes that it would be difficult for up to approximately five million people, including tourists, to get home in the event a major earthquake hits Tokyo and its metropolitan environs. The metropolitan government plans to lift elderly persons and children to prefectures near Tokyo through sea or river routes in case transportation facilities are paralyzed or arterial roads are cut off. The drill this time will also employ ships for river and sea transportation.

USFJ will send a naval vessel to the port of Tokyo from its Yokosuka base in the city of Yokosuka, Kanagawa Prefecture, to sealift 30 metropolitan government personnel to Yokosuka. In addition, two US military helicopters deployed to the Yokota base, located in the city of Fussa and other municipalities in the metropolis of Tokyo, will airlift medical supplies and other relief goods to the training site in Tokyo's Adachi Ward and to a heliport at USFJ's Akasaka Press Center in Tokyo's Minato Ward.

"The fire department authorities and the Self-Defense Forces alone cannot respond to the Tokyo earthquake, so we'd like to ask USFJ for rear support," a metropolitan government official said.

11) Constitution should be reinterpreted for Japan's participation in collective self-defense: Aso

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YOMIURI (Page 2) (Abridged)
August 28, 2006

Foreign Minister Aso, appearing on an NHK news program aired yesterday, suggested the need for the government to reinterpret the Constitution so Japan can exercise the right of collective self-defense. "Japan has the right but cannot use it-that's the government's interpretation (of the Constitution)," Aso said. "So," Aso added, "it would be more realistic to change such an interpretation."

Aso, who has now announced his candidacy for the ruling Liberal Democratic Party's forthcoming presidential election, is an advocate of amending the Constitution. However, Aso took the position that the nation should discuss the right of collective self-defense, aside from constitutional revision, in order to make it possible for Japan to exercise the right at an early date.

Among other LDP presidential candidates, Finance Minister Tanigaki, basing his assertion on the government's constitutional interpretation for years, has been insisting on the necessity of going through constitutional revision in order to make it possible for Japan to participate in collective self-defense.

12) Abe eager to establish permanent SDF deployment law

YOMIURI (Page 1) (Excerpts)
August 26, 2006

Chief Cabinet Secretary Shinzo Abe delivered a speech in a seminar on the SDF Iraq mission's for reconstruction support, held at a Tokyo hotel on Aug. 25 by the nonprofit organization US-Japan Link. In the speech, Abe called for the establishment of a permanent law to enable the overseas deployment of the SDF, saying:

"It's necessary to have a permanent law for (the SDF's overseas deployment). By establishing such legislation, we could make a rapid response (to an emergency). The Liberal Democratic Party is having discussion on the issue, and the government needs to work toward creating such legislation."

Defense Agency Director-General Fukushima Nukaga also noted in the same seminar:

"It's desirable to establish a general (permanent) law so that the government could promptly respond at its own decision while seeking approval from the Diet."

Regarding the SDF's overseas deployment, Japan has such legislations as the UN Peacekeeping Activities Cooperation Law allowing SDF personnel to be engaged in UN peacekeeping activities, the Antiterrorism Special Measures Law, a time-limited legislation, and the Iraq Humanitarian Reconstruction Support Special Measures Law. Prime Minister Junichiro Koizumi has also expressed a similar view, saying that the establishment of a permanent law, rather than a special law or a law of specified duration, should be considered in the future.

13) Abe advocates strategic dialogue among Japan, US, Australia, and India

MAINICHI (Page 1) (Full)

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August 27, 2006

The Liberal Democratic Party's (LDP) Hokuriku and Shinetsu regional chapters held a convention on Aug. 26 in Toyama City, inviting three LDP presidential candidates. At the convention, Chief Cabinet Secretary Shinzo Abe advocated a "strategic dialogue" among the

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leaders and foreign ministers of Japan, the United States, Australia, and India. He stated, "I think it would be good to create a framework for dialogue to spread our sense of values, along with India and other countries." He is expected to include this idea in his policy platform, which he will announce on Sept. 1.

Japan, the US, and Australia have continued discussions on security issues in the Asia-Pacific region and the world. Abe is looking to check China by including India in the "strategic dialogue."

14) Poll of LDP local execs: 66% urge debate on how to correct social divide

TOKYO SHIMBUN (Page 1) (Abridged)
August 27, 2006

With the ruling Liberal Democratic Party's presidential election ahead, Kyodo News Service polled the party's local secretaries general, including their deputies, in the nation's 47 prefectures. In the survey, 31 persons or 66.0% picked the nation's social divide between Tokyo and local areas for correction when they were asked what they would like to be debated in the election. In addition, they were also asked who they thought would be appropriate to become their party's next president (as successor to Prime Minister Junichiro Koizumi), and 29 persons gave specific names. Among them, 21 persons named Chief Cabinet Secretary Shinzo Abe. This shows that Abe is leading all other candidates among the LDP's local executives

as well. They also voiced concerns about the race led by Abe, ahead of next year's simultaneous local elections and House of Councillors election.

Meanwhile, five persons supported Foreign Minister Taro Aso and two persons recommended Finance Minister Sadakazu Tanigaki. The LDP's Kanagawa prefectural chapter executive was the only one to back up Senior Vice Justice Minister Taro Kono, a lawmaker elected from Kanagawa Prefecture. There were 18 persons who gave no answer or picked two or more candidates.

In the survey, they were also asked if they thought the next prime minister should pay homage at Yasukuni Shrine. In response, 14 persons answered "yes," with 9 persons saying "no."

15) LDP's Komura faction to back Abe in presidential election; Five of 9 factions support Abe

ASAHI (Page 2) (Excerpts)
August 28, 2006

Factions in the Liberal Democratic Party (LDP) have decided on whom they will back in the September party leadership race. With the Komura faction's decision to support Chief Cabinet Secretary Shinzo Abe, five of the nine LDP factions intend to back Abe. Adding new House of Representatives members, who are called as "Koizumi's children" to the number of five faction members, the number of LDP members supporting Abe will make up more than a majority of the LDP Diet members. Abe will certainly dominate his opponents since many

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in the Tsushima and Yamasaki factions, which will allow their members to cast their votes independently, favor Abe.

The Komura faction held yesterday a study session in a Karuizawa hotel, Nagano prefecture, in which the faction decided to support Abe. Faction head Masahiko Komura, former foreign minister, told reporters, "We considered who would be able to implement our policies." He indicated that Abe's dominance in the race was a major reason for his faction's decision.

16) Special Diet session to be convened on Sept. 22 to pave way for Abe administration by avoiding confusion over personnel appointments

ASAHI (Page 4) (Excerpts)
August 26, 2006

A decision to convene a special Diet session on Sept. 22 shortly after the Sept. 20 LDP presidential election reflects the strong wishes of outgoing Prime Minister Koizumi. Assuming that Chief Cabinet Secretary Shinzo Abe will win the LDP presidency, Koizumi's aim apparently is to pave the way for an "Abe setup" in anticipation of a showdown with the Ozawa-led Minshuto (Democratic Party of Japan) by avoiding as much confusion as possible in determining a new lineup of LDP executives and forming a new cabinet.

Koizumi told reporters in Kyoto on Aug. 25: "The new LDP president will be determined on Sept. 20, so I think the next (special) Diet should be convened as soon as possible. Once the new LDP president is picked, the focus will shift to forming a new cabinet, which will be done by the person named prime minister in the Diet."

Given Abe's predominance in the LDP presidential race, the Kantei side, including Koizumi and Abe, has begun studying a timetable after the LDP presidential election. Koizumi and Abe compared their schedules on Aug. 24.

The government and the ruling coalition considered a plan to convene the Diet on Sept. 29. A government official explained, "The timetable was moved up because it's better not to leave a gap between the LDP presidential election and determining the new LDP leadership and new cabinet."

17) Minshuto active in boosting election cooperation with SDP and LDP rebels

MAINICHI (Page 2) (Excerpts)
August 28, 2006

The main opposition party Minshuto (Democratic Party of Japan) is now actively working on strengthening cooperation with the Social Democratic Party (SDP) and former Liberal Democratic Party (LDP) rebels who bolted against the LDP's decision to privatize postal services in single-seat constituencies up for grabs in next summer's House of Councillors election. President Ichiro Ozawa played golf on Aug. 22 with the former postal rebels. On Aug. 23, Secretary General Yukio Hatoyama held talks with SDP Secretary General Seiji Mataichi and the two agreed that their parties would cooperate in the Upper House election, by jointly recommending candidates belonging to no party in single-seat constituencies. The reason is that Minshuto is concerned about a delay in selecting its own candidates. Since there are mixed motives among those involved, it will be difficult for the

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two parties to form united front.

People's New Party head Tamisuke Watanuki, former trade minister Mitsuo Horiuchi, and former METI minister Takeo Hiranuma, who played golf with Ozawa, will all run in single-seat constituencies in Toyama, Yamanashi and Okayama prefectures. Ozawa told Watanuki during luncheon: "I'm counting on your cooperation in Fukui. We wish to field a unified candidate in Ishikawa."

18) Scrapping of auto tariffs put on hold in FTA with Philippines:
Renegotiations on compact cars in 2009

NIHON KEIZAI (Page 3) (Excerpts)
August 28, 2006

Japan and the Philippines are aiming at signing a final agreement on an economic partnership agreement (EPA), including a free trade agreement (FTA). However, it was found that the unveiled specifics of the final agreement have backed away from the original agreement in principle on the total abolition of auto tariffs imposed by the Philippines, the focus of the FTA talks. Tariffs on compact cars will instead be kept intact until further negotiations in 2009. Tariffs on large vehicles will be abolished only in stages. The outlook is that the leaders of the two countries will sign the agreement as early as September and that the accord will take effect by the end of next year.

Japan and the Philippines agreed in principle on the signing of an EPA in November 2004. They decided to eliminate tariffs on more than 90% of trade items. In the auto sector, they agreed to immediately scrap tariffs on vehicles with a displacement of over 3,000 cc and those on vehicles of less than 3,000 cc 2010. In the FTA that Japan and Thailand agreed in principle on in September 2005, though, Thailand kept its auto tariffs, which brought a sharp reaction from the Philippines, leading to renegotiation on this point.

In this agreement, Japan made concessions to allow tariffs on vehicles of more than 3,000 cc to be eliminated in stages by 2010 and for tariffs on compact cars to be reduced from 30% to 20% with further negotiations in 2009.

DONOVAN